

Appendix 1

Approved by the ERC Resolution No. 39,
dated August 28, 1998

LICENSING PROCEDURES

FOR OPERATION IN THE POWER SECTOR OF THE REPUBLIC OF ARMENIA

These Procedures define the process of filing and reviewing Applications for Licenses that give the right to engage in certain activities in the power sector, as specified in the Energy Law of the Republic of Armenia, the terms of License issuance (rejection), suspension and revocation, and apply to the Entities specified in Article 2.1. of the present Procedures, regardless of the type of their legal organization or ownership.

These procedures do not apply to the import and export of natural gas and electricity.

1. DEFINITIONS

The terms used in these Procedures are defined as follows :

- | | |
|---------------------------|---|
| 1.1. Entity | - a legal entity; |
| 1.2. Energy Sector | - a system of technical and legal organization of the economic entities involved in electricity generation, transmission and distribution; thermal power generation, transmission and distribution; natural gas transportation and distribution; as well as the import and export of electricity, and natural gas (regardless of the type of proprietorship); |
| 1.3. Commission | - a regulating body in the energy sector, acting in conformance with the RoA Energy Law, and in accordance with certain authorities bestowed on itself by the Government of Armenia; |

- 1.4. License** - an official document issued by the RoA Energy Regulatory Commission verifying his right to engage in certain activities in the power sector;
- 1.5. Applicant** - a person or entity that has submitted an Application for the acquisition of a License, in accordance with the present Procedures, in order to acquire a License
- 1.6. File** - an individual folder containing documents that once served as a basis for issuing a License, as well as information about violations discovered during the implementation of the licensed activity, and their rectification, tariff justification documents, financial reports and other relevant papers.
- 1.7. Licensee** - an entity that has been issued a License, in conformance with the RoA Energy Law and the present Procedures;
- 1.8. Professional License** - a certificate of professional qualifications issued to physical or legal entities by a RoA Government-authorized body, to carry out specific professional activities in the power sector.
- 1.9. Force Majeure** - an emergency situation which occurs due to unforeseen and uncontrollable circumstances (natural disasters, military activities, major accidents in the supply system energy resources (fuel, water), major accidents at the National Electric Network, restrictions provided by the RoA Legislation), which partly or completely make the implementation of the licensed activity impossible.

2. GENERAL PROVISIONS

- 2.1. According to these Procedures, a License is issued only to legal entities to engage in the following activities in the RoA energy sector, provided by the RoA Energy Law:
- a) transportation of natural gas;
 - b) distribution of natural gas;
 - c) construction works in natural gas sector;
 - d) construction of electric (thermal) plants;

- e) generation of electricity;
 - f) transmission of electricity;
 - g) distribution of electricity;
 - h) construction works in electricity sector;
 - i) generation of thermal energy (generation and transportation);
 - j) transmission of thermal energy (transportation and distribution)
 - k) distribution of thermal energy
 - l) construction works in the thermal energy sector
- 2.2. The construction of new generating plants, the erection of new installations in operating generators aimed at the increase of the installed capacity of the plant, the construction of new transmission and distribution networks via which the legal entity initiating that construction intends to carry out any ERC-licensed activity in the energy sector shall be considered a “Licensed activity of Construction of Generating Plants, Production Construction in Electric, Thermal Power and Natural Gas in the Energy Sector”.
- 2.3. No License shall be required from energy sector Licensees (2.1.(a), (b), (f), (g), (j), (k)) for carrying out production construction, if that construction is taking place within the scope of the Licensed Activity with the purpose of extending, developing, modernizing the existing transmission (transportation), distribution networks.
- 2.4. Effective period of the licensed activities specified in Article 2.1. of the present Procedures are as follows:
- a) For construction works in electricity, thermal power and natural gas sectors the effective period of the licensed activity shall be established depending on the scheduled construction period.
 - b) For generation activity in electricity and thermal power sectors the effective period of the licensed activity shall be established depending on the service period of the generating plant.
 - c) For construction of electric plants the effective period of the licensed activity shall be established depending on the scheduled construction period.

- d) For transmission (transportation) and distribution activities of electricity, thermal power and natural gas the effective period of the licensed activity shall be unlimited.
- 2.3. Engagement in activities specified in Article 2.1. of the present Procedures without a License is subject to prosecution under the RoA Legislation.
- 2.4. No License is required from electric and thermal power generators if that energy is used exclusively for their own needs.
- 2.5. The only copy of the License is handed over to the Licensee personally, or, if there is a corresponding authorization, to the authorized representative of the Licensee.
- 2.6. To receive the License, the Licensee is required to pay a charge, in the amount and in procedures provided by the RoA Law on State Charge.
- 2.7. The receipt with the Licensee's or his representative's signature remains at the Commission (Appendix 2).
- 2.8. The License becomes effective from the moment of its registration with the Commission.
- 2.9. In the event of losing the original License, the Licensee will have to publish an ad in the national printed press. After that he can apply to the Commission, and receive a duplicate of his License within a 15-day period.
- 2.10. The alienation of the License to other entities (transfer, sales, etc.) is prohibited, unless otherwise provided by Law.

3. APPLICATION FOR LICENSE, ITS REVIEW AND DECISIONMAKING

- 3.1. To get a License, the Entity has to provide the Commission with 2 copies of the relevant Application and documentation, in accordance with the application form and the list of pertinent documents, provided by Appendices 3 and 4 of the present Procedures.
- 3.2. Prior to applying to the Commission for a License, the economic entities that wish to engage in activities specified in Item 2.1. (c), (d), (h), and (l) of the present Procedures, have to publish their decision about engaging in a certain type of activity in one of the national newspapers (in accordance with the form given in Appendix 5), and submit evidence of the publication to the Commission, along with the application.
- 3.3. The Commission may also require other information, if such be necessary in order to make a decision on the issuance or rejection of a License.

- 3.4. In accordance with the RoA Legislation, the applicant bears the responsibility for the accuracy of the information forwarded for the Commission's review.
- 3.5. The Application for License and attached documents must comply with the requirements provided by the RoA Legislation, the present Procedures and other normative documents.
- 3.6. After receiving the Application for License and the pertaining documents, the Commission registers them and proceeds with verifying their compliance with the relevant forms and the list of essential documents provided by Appendix 4 of the present Procedures. Within 10 days of the receipt of the Application, the Applicant will be sent a notice about the results of the review. In the event of a positive outcome, the ERC shall proceed with the licensing process and will issue an adequate resolution within 90 days of the receipt of the Application.
- 3.7. If there is a need for additional information or documents, which hinders the decisionmaking process, or there is a need for supplemental analysis with the involvement of independent experts, the time required for such an analysis (not to exceed 30 days) is not included in the period of the Application review. The Applicant shall be notified in writing about such incidents.
- 3.8. In the event of a favorable outcome, within 10 days of the resolution, the Commission issues the License in the due order and manner to the Applicant or his authorized representative. In the event of an unfavorable outcome, within the same time period the Applicant is sent a copy of the Commission's resolution of rejection containing the grounds for such rejection.
- 3.9. An Application for License can be rejected by the Commission in the following instances:
 - a) when the submitted documents contain misrepresentations of real facts;
 - b) when the applicant's basic documents do not comply with the requirements of the RoA Legislation;
 - c) when the applicant does not possess the necessary financial means to carry out the licensed activity (the applicant is not the owner of the set of assets essential for the licensed activity), or the applicant has been declared insolvent in accordance with the established procedures;
 - d) when the technical indicators of the licensed activity do not comply with the current standards of the Republic of Armenia and other normative documents

- e) when the implementation of the licensed activity may result in an unjustified increase of sale tariffs for electricity, and/or thermal power, and/or natural gas for consumers across Armenia.
- f) when the issuance of the License to the applicant will restrict the franchise rights of another Licensee.

Rejection of the License for other reasons (except for the cases provided by Law) is disallowed.

- 3.10. After a close consideration of the Commission's objections to the issuance of a License, the applicant can re-apply for the License, in accordance with the procedures set by Article 3.1.
- 3.11. The Commission's resolution of refusal cannot affect in any way the review of other applications by the same applicant.
- 3.12. The Licensee whose License has been revoked has the right to apply to the Commission for a new License on common grounds, if he meets the requirements set by the Commission.
- 3.13. In case of meeting the requirements of the construction or production construction Licenses, the ERC shall issue the initiator an operation License within a month of the completion of the construction, in simplified procedures and based on the Application for a License, or the documents and reports submitted to the ERC upon the issuance of the Construction License or in the course of the actual construction or corresponding authorizations provided by the RoA Legislation.
- 3.14. The marginal tariff in case of which (or in case of marginal tariffs lower than that) the ERC guarantees the full or partial (determined by the necessity of safe and reliable operation of the energy system and demand forecasts) inclusion of electricity generated at the plant under construction in the ERC-set annual quotas, should be necessarily mentioned in the Electric Plant Construction Licenses.

4. PROCEDURAL QUESTIONS

- 4.1. The paperwork associated with the License registration shall be maintained separately for each Licensee, and an individual file shall be made for each Licensee.
- 4.2. In the event of termination of the License by the Licensee or revocation of the License, the registration file shall be kept in due procedures.

- 4.3. In the event of License suspension or revocation the License shall by all means be returned to the Commission within 5 days of the issuance of a corresponding resolution.
- 4.4. In the event of License suspension or revocation the ERC shall notify the interested organization and publish a notice in the printed press.
- 4.5. All the Commission's resolutions regarding the issuance or rejection of a License, the introduction of amendments and supplements to the License, the suspension or revocation of the Licenses, as well as the introduction of amendments and supplements to the present Procedures shall be made during the Commission's meetings, in accordance with established procedures.
- 4.6. The ERC shall maintain a Registration Log of all Licenses issued to Licensees (Appendix 1).
- 4.7. The resolutions of the Commission on licensing, as well as the submitted documents have to be accessible for review by any of the interested physical or legal entities, provided that they do not contain any confidential national, service or commercial information, as required by the RoA Legislation.

5. PENALTIES. LICENSE SUSPENSION. LICENSE REVOCATION

- 5.1. The ERC, in conjunction with other authorized government bodies, shall carry out monitoring of compliance to the License provisions.
- 5.2. In instances when the Licensee fails to comply with the License provisions, or partly fails to adhere to the License provisions, or violates them, the Commission is authorized to apply the following enforcement measures, in accordance with Article 27 of the RoA Energy Law;
 - a) notice and instructions to rectify violations;
 - b) suspension of the operation License;
 - c) revocation of the operation License.

The enforcement procedures for the above measures shall be established by the ERC. The Commission can impose penalties on the Licensees in accordance with legislative procedures.

- 5.3. In instances of License revocation the Commission and the Licensee shall be guided by Article 37 of the RoA Energy Law and the RoA Legislation.
- 5.4. A License can be suspended or revoked upon the Licensee's own initiative, by notifying the Commission in writing. However, until the issuance of a corresponding resolution on the suspension or revocation of the given License, the Licensee shall be required to carry on the licensed activity, as required by the License provisions.
- 5.5. The Licensee shall not be held responsible in conformance with Item 5.2. of the present Procedures if the noncompliance with the License provisions have been caused by Force Majeure circumstances.

6. Disputes

Any disputes associated with the enforcement of the present Procedures shall be settled in accordance with legislatively established procedures.

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Appendix 2**License Receipt**

Resolution No. _____, dated _____

Date of Registration _____

Number of Registration _____

Type of the Licensed Activity _____

The License has been issued to _____

Licensee's name, address, telephone number

Teletype, E-mail, telex, fax numbers

First and last name of the person receiving the License

Number of the passport or another ID, and who it was issued by

Number and date of Authorization to receive the License

Appendix: Authorization to receive the License

First and last name, office and position of the person issuing

Date

Signature

APPLICATION

We hereby are requesting a License authorizing our engagement in business activities in

Geographic area, region or Marz

Type of the Licensed Activity

We are hereby certifying that the information contained in the documents submitted to the RoA Energy Regulatory Commission is accurate and complete. Our company is familiar with the provisions and requirements of carrying out the Licensed Activity and is promising compliance with them.

The following documents are attached to this Application:
(Name of document, number of pages, number of copies)

1.

2.

3.

4.

5.

6.

Name of the Licensee

Bank Account information

Address, telephone, E-mail, telex, fax numbers

Position, first and last names and signature of the Applicant

Date, the seal of the enterprise

Appendix 4

<div>Licensed Activity</div> <div>Document Submitted</div>	Transportation of natural gas	Distribution of natural gas	Construction works in natural gas sector	Construction of electric (thermal) power plants	Generation of electricity	Transmission of electricity	Distribution of electricity	Construction works in electric power sector	Generation of thermal power (gen. & trans.)	Transportation of thermal power (trans. & dist.)	Distribution of thermal power	Construction works in thermal power sector
	2	3	4	5	6	7	8	9	10	11	12	13
1												
Technical and economic characteristics of the activity	.	.	—	—	.	.	.	—	.	.	.	—
Company and its orgchart	.	.	—	—	.	.	.	—	.	.	.	—
Copies of the company's foundation papers and State Registration Certificate
Information about shareholders and their shares**
Professional License(s)
Geographic area of licensed activity**	—	.	—	—	—	—	.	—	—	—	.	—
List of essential assets, including technical equipment and ancillary devices, vehicles, machinery, buildings and open-air premises**	.	.	—	—	.	.	.	—	.	.	.	—
List of essential assets and ancillary devices, that were rented or granted for rent, including technical equipment, vehicles, machinery, buildings and open-air premises**	.	.	—	—	.	.	.	—	.	.	.	—

Appendix 4

Copies of the last inspection papers by government-authorized bodies that carry out technical and environmental control (GORNADZOR & GOSNADZOR)	.	.	—	—	.	.	.	—	.	.	.	—
Copies of the financial inspection papers (carried out by authorized bodies) and audit resolutions (if carried out during the past one year)	.	.	—	—	.	.	.	—	.	.	.	—
Fees for services associated with the man activity	—	.	—	—	—	—	.	—	—	—	.	—
Business plan for long-term and short-term development activities**	.	.	—	—	.	.	.	—	.	.	.	—
Reports for the current year (by quarters) and the previous year in forms developed by ERC**	.	.	—	—	.	.	.	—	.	.	.	—
Copy of the ad in a national newspaper about the intention to engage in licensed activity**	—	—	.	.	—	—	—	.	—	—	—	.
Technical and economic justifications of the construction	—	—	.	.	—	—	—	.	—	—	—	.
Financial guarantees, in procedures set by ERC	—	—	.	.	—	—	—	.	—	—	—	.
Document verifying the payment of state charges*	.	.	.	.	.	.	.	.	.	.	.	.

Notes:

- . the document is required
~~the document is not required~~
 on licensing, and prior to the receipt of the original License

** must be submitted in ERC-established forms

FOR PUBLIC INFORMATION

Please be advised that

Name of the Licensee

has applied to the RoA Energy Regulatory Commission for engagement in business activities in

Geographic location, region, city or Marz

Type of the Licensed Activity

Telephone, E-mail, telex and fax numbers of the Licensee
